

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION

WASHINGTON 25, D. C.

Industry Circular 59-12

March 18, 1959

QUALIFICATION OF USERS OF TAX-FREE SPIRITS

CAUTION

SECTION 5271 I. R. C., AS AMENDED BY PUBLIC LAW 85-859,
(72 STAT. 1370) PROVIDES THAT NO PERSON SHALL PROCURE
OR USE SPIRITS FREE OF TAX ON AND AFTER JULY 1, 1959,
UNTIL HE HAS FILED AN APPLICATION TO DO SO

Tax-free alcohol users and
others concerned:

What applications should you file? In order to procure and use spirits free of tax (formerly called tax-free alcohol) on and after July, 1, 1959, you are required to make application on Form 2600, copies included, for an industrial use permit (formerly called a basic permit) to use spirits free of tax and an application on Form 1450 (Revised April 1959), copies included, for a permit to procure spirits free of tax.

What quantities should you show on your applications? Your application for an industrial use permit, Form 2600, requires that you state the quantity of tax-free spirits, including recovered tax-free spirits, that will be on hand, in transit, and unaccounted for at any one time. This quantity will determine the penal sum of your bond. It may be large enough to permit you to order containers of the size that you usually purchase and have the spirits in transit while you have a sufficient quantity on hand to care for your needs.

Your Form 1450 will require that you state the total quantity to be withdrawn during a calendar month and the quantity to be withdrawn during the term of the permit, considered to be one year. The proposed regulations state that the quantity to be withdrawn during any calendar month should not be more than one-twelfth of the annual requirements but provides that where you desire to withdraw more than one-twelfth of your annual quota during any month you should state your needs and furnish sufficient information for the assistant regional commissioner to determine whether such withdrawals should be authorized. If one-twelfth of your annual quota is less than a 55 gallon drum and you have sufficient reasons for desiring to purchase in a 55 gallon container,

you should enter 55 gallons as the quantity to be withdrawn per calendar month and furnish sufficient information for the assistant regional commissioner to determine whether that portion of your application should be approved. The same procedure would hold true if you have a seasonal business that requires that you use tax-free spirits in only a few months during a year. You should determine your annual quota and the need for each of the few months that you expect to use the material and adequately explain your desires.

Period to be entered on Form 1450. Your entry for the beginning of the period should be July 1, 1959, but the ending date should be left blank at this time.

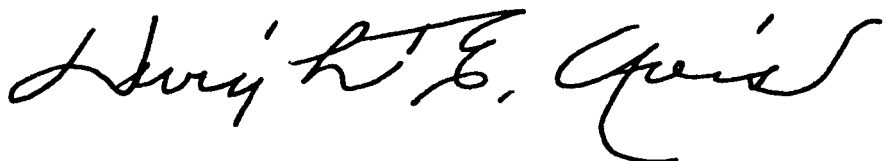
What should be done about your bond? You shall submit a new bond, Form 1448, or you may continue your current bond in effect by filing a consent of surety, Form 1533, copies attached, extending the terms of the bond to cover tax-free spirits on hand, in transit, and unaccounted for on and after July 1, 1959. If you have submitted a strengthening bond, such bond shall also be covered by a separate consent of surety. If you increase the quantity, you should submit a strengthening bond or a new bond.

Where and when qualifying documents should be filed. The above described applications and bond or consent of surety with the necessary supporting documents outlined in the accompanying excerpts from the proposed regulations shall be filed in duplicate with your assistant regional commissioner (alcohol and tobacco tax). They should be filed as soon as possible after you receive the forms in order to expedite handling in the office of your assistant regional commissioner.

Result if applications are not filed prior to July 1, 1959. If you do not file the two applications and bond or the consent of surety on your bond or bonds prior to July 1, 1959, you will not be entitled to use spirits free of tax on and after July 1, 1959, and the vendor named on your current withdrawal permit will be notified by the assistant regional commissioner that you may not continue to withdraw spirits free of tax.

Continuation of permits on and after July 1, 1959. The proposed regulations provide that if you hold a permit as a user, have a valid withdrawal permit on Form 1450 on June 30, 1959, and have filed the required applications, you may continue to use and withdraw specially denatured spirits on and after July 1, 1959, under such permits until final action is taken on your applications.

Inquiries. Inquiries in regard to this industry circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).



Dwight E. Avis
Director, Alcohol and Tobacco Tax Division

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OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 59-12, Supp. No. 1

May 6, 1959

QUALIFICATION OF USERS OF TAX-FREE SPIRITS (ALCOHOL)

Tax-free alcohol users and
others concerned:

Purpose. The purpose of this supplement is to advise you of certain changes to be made in the instructions furnished you with Industry Circular No. 59-12.

Background. Reference was made in Industry Circular No. 59-12 to proposed regulations, and the instructions furnished contained excerpts from the proposed regulations. These proposed regulations were published in Part II of the Federal Register for April 21, 1959, as a notice of proposed rule making. During recent conferences with industry members and personnel from our regional offices suggestions were made for simplifying these proposed regulations. We believe that some of the suggestions are excellent, and we expect to propose their inclusion in the regulations. Accordingly, we have anticipated these changes and revised the earlier instructions. In filing your application you may follow the revised instructions. If, upon further review, additional information is found to be necessary, you will be so advised.

Information relative to changes in instructions and circular. (a) In listing your equipment, as required by paragraph 1 (f), it will be sufficient to list only the principal articles of equipment to be directly involved in the recovery and restoration of tax-free alcohol.

(b) The information required in the first sentence of paragraph 1 (i) need not be submitted except on the specific request of the assistant regional commissioner.

(c) The second sentence of paragraph 1 (i) permits you to adopt, by reference, items of information on file in the office of the assistant regional commissioner and applies to all of the items of information required under paragraphs (d) through (h). This provision also applies to the documents listed under section 3, Organizational Documents.

(d) In lieu of the corporate documents listed in section 3 (a), only the following documents need be submitted.

(1) Certified true copy of the certificate of incorporation, or certified true copy of certificate authorizing the corporation to operate in the State where premises are located, if other than that in which incorporated.

(2) Certified list of the names and addresses of the officers and directors.

(3) Statement showing the number of shares of each class of stock or other evidence of ownership, authorized and outstanding, the par value thereof, and the voting rights of the respective owners or holders.

(e) You need not submit certified extracts or digests of minutes of meetings of boards of directors, authorizing certain individuals to sign for the corporation but your application must be accompanied by evidence which will establish the authority of the officer or other person who executes the application for permit to execute the same unless such authority is already on file in the office of the assistant regional commissioner.

(f) The names of the persons interested in a parent corporation, mentioned in the second sentence of paragraph 3 (c)(1), need be submitted only at the specific request of your assistant regional commissioner.

(g) In Industry Circular 59-12 in the paragraph entitled "Continuation of permits on and after July 1, 1959" the words "specially denatured" are incorrect and should be changed to "tax-free."

Modification of Form 2600. The use of a more specific term indicating the kind of spirits to be used is desired. Please modify Form 2600 by changing the word "spirits" to "alcohol" in the statement immediately above item 3.

Inquiries. If you have any questions regarding your qualification, they should be addressed to your assistant regional commissioner (alcohol and tobacco tax).

Important

If you have already filed your application in accordance with the first instructions furnished you, no further action is necessary.



Dwight E. Avis
Director, Alcohol and Tobacco Tax Division